

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEB. 28, 2024 — except where noted



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USDA DMC Program Enrollment Opens: USDA opened Dairy Margin Coverage (DMC) enrollment for the 2024 Program Year on February 28. Those farms that enroll early could potentially receive a payment on January milk within the next couple of weeks, depending on where the margin falls. As of February 27, the January margin under the DMC Program was forecast at \$8.46 per hundredweight, which would provide an indemnity payment of \$1.04 per cwt., or just over \$800 on a million pounds of production. The enrollment period will remain open until April 29th, with payments retroactive to January milk.

For farms that have never enrolled in DMC before, it is important to understand that the DMC program is intended to serve as a safety net against volatility in either your milk price or in the price you are paying for your feed. It is margin-based insurance that was authorized under the 2018 Farm Bill and is administered through USDA's Farm Service Agency (FSA). Farms can protect anywhere from a \$4 to a \$9.50 margin in 50-cent increments.

Those farms that fall under 5 million pounds in annual production (about 200 to 230 cows) can enroll all their milk in Tier 1 coverage, with very reasonable premium levels. You can protect a \$9.50 margin on your dairy for 15 cents per hundredweight. The margin is derived from subtracting the feed costs per one hundred pounds of milk produced from the announced All-Milk price for that month. As an example, October 2023's margin was announced at \$9.44 per cwt. and was calculated from a \$21.60 per cwt. milk price and \$12.16 in total feed costs. For those farms that are above that 5-million-pound threshold, you can enroll the first 5 million pounds in the Tier 1 Program and purchase additional coverage under Tier 2. But the premium levels are much higher, and you can only cover up to an \$8 margin.

Since DMC began in 2019, the DMC Program has paid out nearly \$2.1 billion in indemnities through 2023. At the maximum \$9.50 per cwt. margin coverage, indemnities were above the premium level in every year. DMC indemnities were the highest in 2023, with payments triggered in 11 out of 12 months. Prices in 2023 yielded a record low margin of \$6.70 per cwt. average for the year. For those farms covered at the maximum \$9.50 margin coverage level, DMC provided a net benefit of

\$2.50 per cwt. in 2023, or just under \$25,000 for every 1 million pounds covered.

Looking ahead to 2024, margins projected under DMC are higher than where 2023 ended up. However, the margin does dip below the \$9.50 level in January and February. Also, with the unpredictable nature of our commodity markets, nobody knows for sure when indemnity payments will be triggered. Try to look at DMC like you would your auto or farm insurance policy. Nobody wants to be affected by an accident or a catastrophic event like a fire, and everyone hopes that never happens to them. But you still get the insurance knowing that you need to protect your business from when it does.

With this enrollment, USDA has extended the DMC Program through 2024, which means that any producers who enrolled in the five-year lock in discounted premiums now get a bonus sixth year for those discounted premiums. The Supplemental Production History that was added to the program in 2022 was also rolled into the program on a permanent basis through a new Adjusted Production History. That means that your locked-in discount is extended to that total Adjusted Production History.

Just like in past years, producers need to pay a \$100 administrative fee plus the premium to enroll in the program. Premiums are due by the end of September each year and can be subtracted from monthly indemnity payments. Enrollment must be done at a local FSA Office. Consider calling ahead to schedule an appointment at your local FSA Office.

Earlier in February, Governor Josh Shapiro announced that his budget proposal for the Commonwealth of Pennsylvania included \$5.6 million in funding to assist dairy farmers in protecting their risks through the DMC Program. Details of what that assistance will look like for an individual farm are still being drafted, and that funding would have to stay in the budget as it moves through the General Assembly for a vote later this summer before it is authorized. However, other states have seen success in increasing enrollment in the program by either subsidizing or covering premium costs for farms to enroll. If this would pass in Pennsylvania, it would likely be for the 2025 enrollment year.

Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, via CME & USDA reports.

CME DAILY FUTURES & OPTIONS TRADING — FEB. 28, 2024 AT THE CLOSE

*AVG = Average basis for North-East and Mid-East	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24	DEC-24	JAN-25	TREND			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Feb goes off board dn \$0.07; Mar-May up \$0.20-0.30; Jun-Aug dn \$0.05-0.15; Sep24-Jan25 up \$0.05-0.20.	16.11	17.24	17.49	17.77	18.05	18.24	18.50	18.81	18.81	18.65	18.31	18.11	12-Month Avg. 18.00 ↑			
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Feb-Mar steady, rest of board unevenly up \$0.05-0.10 to down \$0.10-0.35.	19.90	20.05	20.08	20.23	20.48	20.72	20.96	21.14	21.41	21.52	21.00	19.60	MIXED			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	16.00 CAB	17.25 0.21	17.50 0.57	17.75 0.70	18.00 0.79	18.25 0.89	18.50 0.98	18.75 1.05	18.75 1.05	18.75 1.19	18.25 1.14	18.00 1.13				
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79	0.60	0.79	1.17			
*AVG	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.69	0.74	1.38	0.85				
DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa & ill. soybean, feed for ALL CLASSES of dairy cattle on farm) Updated with NEW prem. alfalfa feed cost	DMC OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	*DEC-23	TREND
	10.71	10.89	9.76	7.94	6.19	6.08	5.84	4.83	3.65	3.52	6.46	8.44	9.44	9.58	*8.44	↓↓

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	TREND
	300.10	289.50	296.50	266.60	297.25	277.00	290.00	292.86	244.27	254.92	243.50	238.50	217.82	240.41	231.70	*254.85	↑↑
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	1540	1500	1741	2108	N/A	*1635	↓↓
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report	1701	1526	1531	1436	1487	1493	1544	1469	1792	1615	1634	1643	1830	1988	*N/A	*1792	↓↓

CORN FUTURES (\$/BU)	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	MAR-26	MAY-26	TREND
	4.132	4.284	4.402	4.500	4.632	4.756	4.820	4.846	4.726	4.744	4.836	4.874	↑↑
WEEK AGO	4.110	4.242	4.356	4.436	4.572	4.700	4.766	4.802	4.724	4.746	4.842	4.876	

SOYMEAL FUTURES (\$/TON)	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	MAR-25	MAY-25	JUL-25	AUG-25	TREND
	331.3	327.5	330.8	332.4	333.5	333.7	338.4	338.7	339.9	342.5	342.2	341.1	↓↓
WEEK AGO	342.0	336.7	339.5	340.3	340.3	339.3	341.6	342.5	342.0	342.9	345.4	345.0	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *DEC. 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/28/24	SPOT CASH TREND
*DEC. (estimated)	*8.11 ↑↑	*10.27 ↓↓	*16.35 ↑↑	FEB24 MAR24 APR24 MAY24 JUN24 JUL24 AUG24	02/28/24
PREV MO	7.79	11.48	17.33	NFDM 1.214 1.197 1.192 1.202 1.222 1.240 1.266	↓↓ 1.1900 ↓↓
YR AGO	9.45	12.04	19.13	WHEY 0.456 0.484 0.467 0.460 0.465 0.468 0.465	↓↓ 0.4400 ↓↓
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price				BUTTER 2.731 2.796 2.810 2.830 2.850 2.870 2.890	↑↑ 2.8000 ↑↑
				CHEESE 1.599 1.702 1.740 1.766 1.803 1.835 1.849	↑↑ See Below
				CME SPOT CHEESE: BARRELS 1.6700 / 40 LB BLOCKS 1.6150	↑↑ / ↑↑

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	*CL I ADVT	*CL III TT	*CL III TT	*CL IV TT	ALL-MILK-U.S	ALL-MILK-PA	CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW	WEIGHTED AVG. 4-WK FEB. 1-24, 2024	FEB. 2024 COMPONENTS
	*18.80 (MAR)	*20.53 (FEB)	*16.08 (FEB)	*19.85 (FEB)	20.60 (DEC) ↓↓	21.80 (DEC) ↓↓	PRODUCT VALUE MAKEALLOW NET		
	17.99	20.04	15.17	19.39	4.35F	4.22F	*CHEESE 1.5947 0.2003 1.3944 ↑↑	*PROT 1.2255 ↑↑	
	18.99	20.83	17.78	18.86	24.70 4.20F	25.50 4.11F	*BUTTER 2.7339 0.1715 2.5624 ↑↑	*B.FAT 3.1031 ↑↑	
							*NFDM 1.2125 0.1678 1.0447 ↑↑	*N.FAT 1.0343 ↑↑	
							*DRYWHEY 0.4649 0.1991 0.2658 ↑↑	*OTHER 0.2738 ↑↑	

CATTLE - DAIRY PURPOSES (\$/HD) JAN. 10, 2024, New Holland PA Receipts down slightly from a year ago, but over half (58%) were fresh milking cows and springer cows and heifers, 22% bred cows and heifers, 9% open heifers. Prices \$100-200 lower, except bred cows higher.	COWS:	Bred	Springing	HEIFERS:	Bred	Springing	Beef x	Open:	300-600 lbs	600-900 lbs	900-1100 lbs	BULLS (800-1300 lbs)
	1975	1900	1750 LTD	1700	1800			700	825	N/A	N/A	
	2075	1600	2125	1650	2100			N/A	975	1350	1150	

PA Auction Markets Feb. 22-27, 2024	FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	CURRENT	WEEK AGO	YR AGO
CULL MARKET COWS (\$/CWT LIVELWEIGHT)	Choice & Prime 1250-1550 lbs light test	N/A	140.00	133.00
Premium White Breakers Boners Lean	BULL CALVES: No. 1 & 2, 90-130 lbs	485.00	850.00	450.00 850.00 175.00 ↑↑
	70-85 lbs	525.00	970.00	465.00 800.00 175.00 ↑↑

Price averages do not include lower-end common

Average to high dressing

WEEK AGO: N/A, 106.85, 97.50, 90.75

YEAR AGO: N/A, 93.75, 83.85, 77.85

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